How can the international strategic outsourcing prejudice company´s way of operating in the market research sector?

Tiago Alexandre Falcão Martins Costa Mota

Nº152116194

Dissertation written under the supervision of Professor Laure Leglise

Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategy and Entrepreneurship, at the Universidade Católica Portuguesa

Abstract

For a company to survive in long term and to be competitive with multinational enterprises, grow internationally must be part of the corporate strategy for managers. Thereby, strategic alliances are a reliable option for a firm to effectively increase business performance with strategic partners, that allow a firm to focus on their own main competencies and take advantage of the capabilities that the partner has to offer. One method used by organizations is to outsource some operations along the value chain with the main goal of saving money, mainly when outsourcing to countries with cheaper labour force like India. Hence, choosing the right partner becomes the main challenge for managers and predictions about the competencies and how the third part will perform, are uncertainties that are complex to evaluate. To effectively understand the impacts that an outsourcing agreement of services have in company´s operations, we conducted four interviews with workers from the market research firm with also participant observation. Our findings suggest that indeed, in the market research sector, when outsourcing to a country with a completely new reality in terms of consumption patterns, different needs and habits, with a product availability distinct and unique, with different levels of competition (regarding the companies that operate in that country) and different ways of working, may lead to negative consequences in the company´s operationality. By being in a specific and complex sector, makes even more the transmission of the know-how a huge challenge between countries and could lead to unexpected costs.

Resumo

Para que uma empresa possa sobreviver a longo prazo e para ser competitiva com as empresas multinacionais, crescer internacionalmente deve fazer parte da estratégia empresarial para os gestores. Assim, as alianças estratégicas são uma opção de confiança para que uma empresa aumente efetivamente os níveis de desempenho com parceiros estratégicos, permitindo que uma empresa se concentre nas suas melhores competências e aproveite as capacidades que o parceiro tem para oferecer. Um método utilizado pelas organizações é fazer outsourcing de algumas operações ao longo da cadeia de valor com o objetivo de poupar dinheiro, principalmente quando é feito para países com mão-de-obra mais barata como a Índia. Portanto, escolher o parceiro certo torna-se o principal desafio para os gestores e previsões sobre as competências e como o parceiro se irá comportar, são incertezas que são complexas para avaliar. Para efetivamente compreender os impactos que um contrato de outsourcing de serviços tem nas operações da empresa, realizámos quatro entrevistas com os trabalhadores da empresa de estudos de mercado e também observação participante. As nossas conclusões sugerem que, de fato, no setor de estudos de mercado, ao fazer outsourcing para um país com uma realidade completamente nova em termos de padrões de consumo, diferentes necessidades e hábitos, com uma disponibilidade de produto distinta e única, com diferentes níveis de concorrência (em relação às empresas que operam nesse país) e diferentes maneiras de trabalhar, podem levar a consequências negativas na operacionalidade da empresa. Ao estar em um setor específico e complexo, faz ainda mais com que a transmissão do know-how se torne um enorme desafio entre países e pode levar a custos inesperados.

Table of contents

1) Introduction

In the past decades, a growing globalization of markets and industries have been changing the world economy. Many authors explore the main reasons that contributed to this rapid and raising of globalization. Wiersema & Bowen (2008, pp. 115) determined some important causes "*including reductions in multilateral and regional trade barriers (Krueger, 1995), reduced costs of international transport and communications (Hummels, 1999), and reform and greater global integration of capital markets (Sachs & Warner, 1995)*".

This phenomenon increase directly competition at national, regional and global levels, accompanied with higher levels of foreign competition and increases in both cross-border mergers and acquisitions and the number of multinational firms (Rust, Portnoi, & Bagley, 2010). All these factors might change any firm´s business and the way of operating, leading to, up until at a certain point, an adaptation of a company´s strategy

More precisely, all of these influences might have an impact on the internationalization strategy, defined by Grant (2016) and Hitt, Hoskisson, & Kim (1997) as the decision to expand the scope of a firm´s business beyond its domestic market.

Through globalization there is a clear opportunity for an industry to expand and influence how competitors perceive and compete in each market. Therefore, one option that managers should take into consideration is the international expansion where Zahra, Ireland, & Hitt (2000, pp. 925) in their research emphasized that the *"international expansion can promote organizational, especially technological, learning (Barkema & Vermeulen, 1998; Ghoshal, 1987), facilitating the development of skills and competencies that help the firm achieve a competitive advantage (Dodgson, 1993)"*. By achieving a global scale, a company might effectively compete against other global players and strategic alliances become one possible hypothesis to explore, becoming a way to gain extra value from the marketplace.

Lambe & Spekman (1997) highlighted that an alliance success is largely determined by smart partner selection. Being not only crucial to choose the one with the best skills and/or resources needed but, more importantly, managers must be able to understand when and why certain partners are more attractive to achieve a successful alliance.

Oxley (1997) defined different types of alliances, where outsourcing has become a viable option and possible solution for companies to improve business performance when looking beyond the traditional boundaries to obtain performance improvements to achieve a global scale.

For all these reasons, it is essential for a company to understand the future impacts and challenges of an internationalization strategy and the partnerships that can be done. Dibbern, Winkler, & Heinzl (2008), Reitzig and Wagner (2010), Stringfellow, Teagarden, & Nie (2008) reached the conclusion that growing globally, is a complex process for managers and it might change the way the company is operating, especially when doing strategic alliances, due to unexpected costs that might emerge and affect the firm negatively. When looking for a company from the market research sector, is even more interesting to analyse the influence of outsourcing some processes to an offshore location, not only because of the non-common activities inside a production process of a data base (where the know-how and expertise needed are specific and complex), but also is a sector where the discrepancies between the countries studied, were even more difficult to overcome because of the specific local consumption patterns.

The majority of studies and examples are from outsourcing alliances related to manufacturing (McCarthy & Anagnostou (2004); Takeishi (2001); Ulrich & Ellison (2005); Wu*, Li, Chu, & Sculli (2005)). In our research, we are present with a case study where the complexity of some operations and departments inside a firm allow to see a new approach of some outsourcing impacts.

Considering all this, the aim of this thesis is to understand the impacts that outsourcing may have inside a company from the market research sector, with emphasis on the firm´s operationality and the hidden costs that might emerge from this strategy, being out of the scope the analysis of the overall performance in terms of total gains for the company. This leads towards to our research question: How can the international strategic outsourcing prejudice company´s way of operating in the market research sector?

Outsourcing is often related to the typical manufacturing contracts between the biggest companies around the world and some emerging economies, like China or India. In fact, literature related to the topic has been mostly focused on the different perspectives and impacts on firms about this outsourcing type. Therefore, for an academic perspective, it is interesting to fill the gap on the available literature, due to the type of outsourcing (being professional services and not manufacturing), as well to the type of industry (market research). Additionally, this thesis has managerial relevance, as it helps managers to become aware of the costs that outsourcing may create, either because of the huge complexity inside an organization or just because they were not able to predict it, that could impact negatively some relevant operations and the overall company´s performance. Thereby, this thesis will help managers to better be prepared in future outsourcing decisions when choosing the strategic partner.

The thesis will pursue the following structure: In the first section, an overview of the literature regarding strategic alliances will be provided, presenting insights about outsourcing (with overviews about both manufacturing outsourcing and outsourcing professional services), and analysing a contradictory approach named vertical integration. Furthermore, literature about hidden costs when outsourcing will be provided and a sub section about India as an emerging market will also be explored. In the second section, the methodology used to collect and analyse the data will be described, explaining the main reason to use a qualitative methodology to answer the research question, and more specifically a case study. Afterwards, in the third section we provide the case study where we will provide insights from Nielsen, the company chosen that operates in the market search sector, divided into 4 main sections: 1) company's description; 2) insights about firm´s history; 3) the internationalization process and 4) the result of a specific outsourcing contract done in 2007 with Tata Consultancy Services. The fourth section will present the findings, displaying the outcomes from the interviews with the main consequences of the outsourcing agreement in the organisation´s different processes which are essential to answer our research question. Afterwards. in the discussion section, a direct link between the literature review and the results from our findings will be establish. Lastly, the conclusion will be presented.

2) Literature review

This section starts with insights from the option of strategic alliances concerning the process of internationalization of a company, with the respective literature available relevant for our research question. After some specific examples of alliances, outsourcing will be explored in more detail, with the main drivers being exposed and the literature of two different outsourcing ways presented separately. As an alternative to outsourcing, vertical integration will be described to give out an overview on how a company may integrate the different activities through a specific value chain. Finally, is presented the literature about the hidden costs theory when outsourcing supported by the main authors, with the last chapter being about India as an emerging market.

2.1) Strategic alliances

Goerzen & Beamish (2003) and Hitt (1997) determined that one of the most important strategic decisions to be made by multinational enterprises (MNEs) is related to the expansion of operations into foreign markets, meaning the internationalization process of the company.

This internationalization process is extremely important for a company to be competitive and survive in long term, as it allows to grow globally. With globalization, in some cases, firms tend to gain competitive advantage by doing collaborations with other players in the market to reach resources and capabilities that, otherwise, were complex, difficult and expensive to achieve by themselves.

These interfirm relationships will be approached as strategic alliances, being *"agreements characterized by the commitment of two or more firms to reach a common goal entailing the pooling of their resources and activities"* (Teece, 1992, p.19) allowing both *"parties (…) maintain autonomy but are bilaterally dependent to a non-trivial degree"* (Williamson, 1991, p.271).

Oxley (1997) presented and defined different types of alliances, from the least hierarchical, which are the unilateral contractual agreements, to the most hierarchical ones, the equity-based alliances, that comprises: supplier-buyer partnerships, outsourcing agreements, technical collaboration, joint research projects, shared new product development, shared manufacturing arrangements, common distribution agreements, cross-selling arrangements and franchising.

The main purpose is not to be extensive in studying the impact of each type on company´s performance but rather to explore the impacts of outsourcing specific operations. Important for our research question, will be the focus deeply on service outsourcing alliances (offshore outsourcing) which by Grant & Baden-Fuller (2004) allow *firms ("outsourcers") to specialize deeper in their domain of core competence while relying on outside specialist firms ("outsourcees") for complementary expertise and skills.*

2.2) Outsourcing or vertical integration?

Globalization made national boundaries become more permeable to economic activities and the different industry value chains are becoming increasingly international in their scope. A key issue and one of the challenges faced by company´s managers is to decide to outsource or vertically integrate a value-chain activity. Clark & Fujimoto (1991) and Teece (1992) developed this critic decision and emphasized that, in recent years, is becoming even more delicate and complex to manage it because of the rapid increase of technological change and the geographic and organizational knowledge. (Rothaermel, Hitt, & Jobe, 2006).

2.2.1) The choice of outsourcing

Firms generally structure their outsourcing activities through strategic alliances, defined by (Gulati, 1998) as voluntary arrangements between firms involving exchange, sharing, co-development of products, technologies, or services and they are often seen as way for organizations to reduce costs and investment, while focusing on what they do well (Doig, Ritter, Speckhals, & Woolson, 2001) with the access, at the same time, of specialized knowledge from the outsider´s expertise company.

More precisely to our case study, regarding offshore business process outsourcing, Ghosh & Scott (2005), defined it as the transfer of the operational ownership of one or more of a firm´s processes to an external provider from another country that then manages the processes according to predetermined metrics.

2.2.1.1) Drivers to outsource

Recent literature has demonstrated the most known reasons to choose to outsource some activities or processes through a firm´s value chain. The main economic drivers and management decisions include expectations of lower labor and production costs (Dossani & Kenney, 2003), access to talent and qualified labor (Lewin, Massini, & Peeters, 2009) and opportunities to learn (Jensen, 2009).

In summary, the rationale for practicing outsourcing is to exploit external suppliers' investments, innovations and specialized professional capabilities. This allow an organization to reduce its operating costs, while achieving an increased focus on its core competencies. These key reasons lead to the conclusion that outsourcing will bring economic benefits to the whole company. Is easy to understand that it is a way to overcome the issue that in some operations, a firm might not be so specialize or efficient, so outsourcing will allow to reach the levels needed, spending less resources and time that otherwise.

There are articles that try to understand and explore the growing prevalence of outsourcing relationships with a variety of knowledge-intensive domains such as auto motive design (Takeishi, 2001), R&D (Oxley & Sampson, 2004), contract manufacturing, and software services (Ethiraj, Kale, Krishnan, & Singh, 2005).

2.2.1.2) Manufacturing outsourcing vs Outsourcing professional services

A relevant distinction to be made is between the most common form and the main domain studied that is manufacturing outsourcing and a new emerging form related to outsource professional services to offshore locations.

The first one was more prevalent historically with a great deal of attention in the late 1980s and early 1990s with the main literature available from authors like McCarthy & Anagnostou (2004); Takeishi (2001); Ulrich & Ellison (2005); Wu*, Li, Chu, & Sculli (2005). Today, manufacturing is the industry sector most likely to outsource and the main idea is the use of production facilities of other firms rather than using those currently in-house or making new manufacturing investments

Nowadays, the new move of outsourcing is related to outsource professional services to offshore locations, becoming possible mainly because of relatively and reliable information and telecommunication technologies. The last studies and discussions about professional services offshore outsourcing are focused on the impact on jobs and the economy (Bardhan & Kroll, 2003; Garner, 2004).

Regarding outsourcing professional services, authors have also emphasized the need to provide better controls and monitoring of outsourced relationships (Amaral, Billington, & Tsay, 2004) and some important studies reaching the overall conclusion that outsourcing of business processes and services continues to grow as a prevalent business model (e.g., KPMG, 2012; NASSCOM, 2009).

With organisations outsourcing larger and more complex processes, performance management has become increasingly challenging for managers. The efficiency on this capacity is even more complex in business services compared with those of manufacturing (Harmon, Hensel, & Lukes, 2006). In on hand, most manufacturing processes are possible to standardised and modularised, on the other hand, it is more challenging to standardise services process, which increases the difficulties of developing effective performance measures in outsourcing arrangements in professional services.

Additionally, it is important to mention that there is a consensus in the literature on the need to link outsourcing and performance management with the business strategy of the organization (Youngdahl, Ramaswamy, & Verma, 2008; Insinga & Werle, 2000; Quinn, 1999).

Previous literature showed that regarding managing any outsourcing contracts (on both types), it is crucial to have an effective performance measurement. At first, a major source of difficulty for firms when measuring it, is that they never effectively measured the performance of the processes that were outsourced when it was performed internally. Shi (2007) has found that organisations have not developed effective metrics to measure process performance.

A major risk for companies when doing any of these outsourcing agreements is that firms have no way of knowing whether the external service provider has performed the process better or worse than the internal department previously. There are no certainties to predict and measure the future performance of the other part. Indeed, some have argued that organisations should create metrics to measure the quality of processes for a while and improve performance internally before outsourcing (Aron & Singh, 2005).

There is a gap on the literature available regarding the impacts that outsourcing professional services might have in the firm´s operationality, most of the studies are regarding manufacturing outsourcing. The differences can be even more distinguished regarding the market research sector, where the complexity and specificities of some operations, are not so well explored and studied, leading the necessity to fill in this gap on the literature.

2.2.2) Vertical Integration

With managers making frequent decisions about outsourcing or integration, it is useful to evaluate the vertical integration decision and comparing it with the previous section of outsourcing. In vertical relationships, the potential for scale economy in manufacturing often calls for specialization and outsourcing. However, it depends critically on the stability of the task and contractual environment and with a highly uncertain environment accompanied with the need for frequent mutual adjustments, the integration option will be favoured over outsourcing.

Helfat & Campo-Rembado (2016) and Helfat & Raubitschek (2000) emphasized that vertical integration helps to coordinate product sequencing and successive innovations that require frequent mutual adaptation along the value chain, (Argyres and Bigelow, 2010) being a way that facilitates monitoring and information sharing along the value chain.

In one of the most recent studies, Zhou & Wan (2017) come up with some important conclusions, claiming that vertical integration can improve coordination in several ways. First, *"it aligns incentives by providing both transacting parties ownership over residual claims (Hart & Moore, 2005; Williamson, 1996). It subjects organizational units to more compatible profit objectives that facilitate an integrated response to changes in global circumstances (Gulati, Lawrence, & Puranam, 2005; Lawrence & Lorsch, 1967), such as rapidly evolving technology and consumer demand (Weigelt & Sarkar, 2012)."* Second, *"vertical integration enables closer monitoring of employee effort (Hart, 1995; Williamson, 1975)".* Similar to arguments made by Joskow (2008), employees within a subsidiary have more incentive and obligation to reveal information to the parent company than employees within a less closely affiliated contractor; the parent company also has more authority and means to collect information from its own subsidiary than from a less closely affiliated contractor. Finally, *"vertical integration facilitates information sharing by weakening the incentives for knowledge appropriation and better protecting propriety information".* (Nickerson & Zenger, 2004; Novak & Stern, 2009).

2.3) Hidden costs when outsourcing to another country

Offshoring of service activities has gained more relevance in recent years. There are many western companies that not only offshore standardized IT and business processes but also more complex, knowledge-intensive activities and product development (Lewin et al., 2009).

Nowadays, the complexity inside firms is even more evident with larger number of tasks becoming more interdependent, influencing the ability of managers to rationally account for all important decision factors (March & Simon, 1958), increasing the risk that certain performance-detrimental consequences will remain hidden in the strategic decision-making process.

Therefore, in the strategic decisions made by managers alongside with this high complexity inside firms, make them miss, on certain cases, the estimation of offshoring costs and they are surprised by unexpected hidden costs, defined as the unanticipated costs of implementation that arise in strategic decision-making processes. (Dibbern, Winkler, & Heinzl, 2008; ; Reitzig and Wagner, 2010; Stringfellow, Teagarden, & Nie, 2008). The main concern that started to arise is that many firms have begun to realize that managing an increasingly globally dispersed organization is more difficult and costly that initially expected.

Many articles studied these hidden costs into three different streams: The first one focuses on the impact of hidden costs on the financial value of offshore outsourcing (e.g. (Barthelemy, 2001; Overby, 2003); the second stream discusses hidden costs in relation to strategic choices between international outsourcing and vertical integration (e.g. (Bettis, Bradley, & Hamel, 1992; Hendry, 1995; Reitzig & Wagner, 2010); the third and more recent stream focuses more fundamentally on hidden costs associated with relocating and redesigning tasks and processes within an orchestrated value-generating system; that is, the costs of reconfiguring a firm's internal and external value chains (e.g. Kumar, Van Fenema, & Von Glinow, 2009; Levy, 1995; Srikanth & Puranam, 2011).

The three levels of hidden costs described before are essential to study in a right and easier manner the outsourcing agreement in our case study and evaluate the problems/costs that emerge from the contract and the impacts in the firm´s operability. More specifically, we are talking in the first stream about how offshoring may undermine anticipated financial value (a performance indicator) comprising costs related with layoffs, cultural costs, costs of selecting a vendor and costs of managing an offshore contract; the second group is associated with noncontractual costs that are unexpected for firms like reduce learning capabilities, reduce coordination ability, undermine core competencies, reduce robustness and reduce long-term responsiveness; the last one can be seen simply as the amount of costs of reconfiguration and relocation, composed by coordination costs, control costs, knowledge transfer costs and design/specification costs.

Important to mention is the limitations about this theory when studying hidden costs in outsourcing. First, the concept of hidden costs is difficult to measure and the perspective of hidden costs was always described as the difference between the expected and realized savings of offshoring, using cross-sectional observations. As a result, hidden costs might be underestimated in the study presented and the operationalization might be skewed (Golden, 1992). Also, when analysing the information, authors relied on survey data, they were unable to analyse the actual decision-making process and weren´t able to look at specific implementation processes in detail.

Considering the negative aspects that may emerge from the unexpected hidden costs, however, firms with past experiences in offshoring are more likely to estimate the costs associated with future agreements with the same purpose of outsourcing. This means that companies are more likely to anticipate the hidden costs, with prior research showing that, previous offshoring experience generally generates better performance in new outsourcing contracts (Hutzschenreuter, Pedersen, & Volberda, 2007; Stephan, Silvia, & others, 2008) and, therefore, is seen as a learning-by-doing process (Jensen, 2009; Maskell, Pedersen, Petersen, & Dick-Nielsen, 2007).

2.4) Challenges in emerging markets for western countries

Western countries are choosing to outsource some of their companies´ value chain processes to some emerging markets. Cultural and language differences among employees accompanied with geographically dispersed locations, increase the social complexity inside the organization. Therefore, some articles have focused on this “configuration complexity”, distinguishing between the structural, operational, and social layers of the organizational configuration, indicating that “offshoring may not only provoke internal resistance (Lewin & Couto, 2007) but also hamper operational efficiency due to a lack of trust, status differences between onsite and offshore units, and a lack of understanding and communication in the process of delivering tasks and interacting with offshore units (Vlaar, van Fenema, & Tiwari, 2008)”.

Khanna & Palepu (2000) explored the main markets failures from emerging markets, they specifically studied the poor functioning institutions that Indian business groups have, leading them to find severe information problems, concluding that business groups in these markets have the potential both to offer benefits to member firms and also to destroy value.

The largest Indian group, the Tata Group, is the one that has a connection with our study case, due to the outsourcing service agreement between them and Nielsen. Again, Khanna & Palepu (2000) conclude that there are substantial differences in group structure in India relative to diversified firms in advanced economies, mainly on small- and medium-level business groups where groups “do not have the management skills, the internal processes or the political connections to generate benefits from diversification”.

On the other hand, recently, a significant part of the competitive advantage of the Emerging Market Multinational Companies (EMNCs) has been a wage cost advantage relative to companies in developed countries. Lorenzen & Mudambi (2012) emphasized that the Indian IT service providers are now acquiring or developing consulting skills and have moved up the value chain and are benefiting from the growing trend of companies breaking up large IT services contracts into smaller components, being able to effectively compete against leading global IT services companies as integrated service providers.

Finally, important for our study and since we are talking about an organization that conducts business in many different countries, one of the main challenges is how to measure and manage uncertainty. It is an important concept that must be highlighted. Generally defined as the difficulty in predicting future outcomes (Beckman, Haunschild, & Phillips, 2004) or, more precisely for organizational studies, the inability to predict firm performance (Milliken, 1987), managing uncertainty is a necessity in the strategies of multinational corporations (MNCs).

3) Methodology

3.1) A qualitative approach

The methodology used to answer the research question was a qualitative method and more specifically a case study. This is the most suitable option to use, since it allows for surfacing contextual dimensions in International Business, such as differences between countries (Cheng, 2007). A qualitative research approach, in a new context, not only is a way to learn about that context up close, but also makes a central contribution to theory building in management (Eisenhardt, 1989; Weick, 1989; Yin, 1989, 1994) contributing to deeper thought by providing thick descriptions of real phenomena (Weick, 2007).

In the end, to highlight again the importance of this method, by Buckley & Lessard (2005), creating theories that recognize context, rather than abstract general theories that ignore its significance, is important to international business and qualitative case-based research can contribute to the contextualization of general theories.

The chosen company to be studied is Nielsen, a leading global information and measurement firm that provides market research, insights and data about what people watch, listen to and buy. This firm had always the concern to reach global levels and internationalize itself throughout the world, operating nowadays, in more than 100 countries. Since 2007, a huge outsourcing contract with Tata Consultancy Services from India, changed the operationality in some important departments and the focus of this thesis will be to explore the impacts that emerged in Portugal, being the most suitable company to answer our research question.

With India being an emerging market with huge cultural, political and social differences and specific way of working and with a focus on outsourcing professional services (and not on the typical manufacturing offshoring contracts), becomes even more clear the interest to analyse how this outsourcing agreement changed some ways of operating on this worldwide market research leader when working with a completely new reality from this country.

3.2) Data collection

In the data collection process, primary data was collected. First, it was used participant observation, an important method, giving that, by working directly inside the company that was analysed, it was easier to evaluate and see how the outsourcing strategy was implemented and how the firm was dealing with it. With this, having own experience in some departments, helped to have a new perspective and other sources of evidence in what was done to overcome some problems and the relationship that Portugal had with India. This professional experience with Nielsen allowed to be present on meetings and to reach workers to enrich the data collection. Besides this, we conducted four interviews, not only from people that are working in different departments but also with one retired worker. The interviews were done in a semi-structured format, allowing the interviewees to talk freely and develop some new ideas on their own way, recording at the same time the answers that were given. With the table below, we are able to see the people that were interviewed and the respective department that they belong to inside the company. With this, the main purpose was to collect data to have a complete overview on how the company was operating before and after the beginning of the outsourcing contract and the impacts that emerged, with opinions from experienced people in the field.

Luís Pereira	Reference Data Enablement Team
Catarina Borda D´Água	Reference Data Department – Coding Team (Global Business services Operations)
Jaime Cruz	Data Acquisition Department
Graça Silva	Client Input Processing Output

3.3) Data analysis

The written narrative of the case was the first step of the analysis with the objective of having a better overview on the company, englobing its history, its revenues and its operations, to better understand, afterwards, the link of the specific sector with our research question, since we are talking about the market research sector. After that, is given information about the internationalization process, with the different countries were the company is operating though its existence (appendix 9.1 helping with a timeline), with, afterwards, the description about the international outsourcing agreement with Tata Consultancy Services. In the appendix 9.2 the official document from Nielsen about this contract is presented.

To better understand the content of each interview and to link to what was important for our research, a coding system was built. Coding helped us to establish patterns and highlight the key elements and ideas from each interview. From each interview, notes were taken carefully and, afterwards, some linkage between what was listened, and the literature review was made, creating the coding process that is present on appendix 9.3. Following this process, we better understand the impact that the outsourcing agreement had on the company´s operations. Giving an example, with the code "know how and expertise decreasing", it represents the main outcomes and quotes from our interviewees regarding one of the main questions about the main negative consequences that the outsourcing contract had on the Portuguese workers.

4) Case study

4.1) History

ACNielsen was founded in 1923 by Arthur C. Nielsen, SR. and was originally incorporated in Chicago. In 2006 the company was bought by a private consortium of companies and five years later, through a public offer, it entered in the New York Share Exchange. At the moment, Mitch Barns is the CEO of the company since 2014. The information available regarding the primary country of foundation saying that the company was from Netherlands, is due to the fact that in 2015, Nielsen N.V, from Netherlands, merged with Nielsen Holdings PLC, keeping this last name nowadays with headquarters in the U.K.

.

Nielsen was the first company to offer market research and in 1933, it expanded its business by creating a retail index that tracked the flow of food and drug purchases, allowing, for the first time, in 1935, a company to determine its market share.

Since the beginning they were focus on developing their operations and improving the different ways of measuring and tracking people´s choices: in 1936 acquired rights for an important device called audimeter, begins the developing its radio index and launched its liquor (1938) and pharmaceutical (1948) indexes.

During the 50´s, Nielsen launched TV audience measurement in the U.S, Arthur Nielsen JR. became company president and company´s stock started to be available to the U.S. public. It also was the decade where the company most increase the reach of their operations, opening offices in more than 8 countries.

New technologies were created during the 70´s with the introduction of the storage instantaneous audimeter, capable of storing tv set usage data and forwarding data overnight via phone line. Therefore, the company began offering national daily tv rating in the U.S. and implemented automated measurement of tv line-ups, electronically tracking networks feeds to local affiliates.

All the effort leads the company generating $100 million in revenue in 1985 and introducing, until the 90´s, not only a cash slip methodology to measure shopper activity in discount supermarkets, but also the hand-held scanners so that household members can record UPC-coded purchases.

Ultimately, since the 90´s until nowadays, mergers and acquisitions started to be part of Nielsen´s strategy to grow and essential for the internationalization strategy. Some of the important strategic acquisitions were the survey research group (SRG), the market research leader in Asia in 1994, a joint venture with amer world research in the Eastern Europe, North Africa and the middle east and, in 2007, the $1.2 billion IT services contract with Mumbai-based Tata Consultancy Services (TCS).

4.2) Description of the company

The Nielsen Company, the main subsidiary of Nielsen Holdings PLC seen as a global information, data and measurement firm, that operates in the market research sector with the main mission to provide clients with the most advanced understanding of what consumers watch and buy. With headquarters in the U.K., operating in more than 100 countries, has about 44.000 employees throughout the world.

In this increasingly complex world of data, Nielsen through their panels, databases, methodologies and technology became the world leader in consumer measurement. Some methods are driven by electronic meters that measure audience engagement. Other depending on more than 250.000 household panellists across 25 countries that use in-home scanner-based sales and causal information gathered from thousands of retail outlets and with millions of surveys conducted each year, allow to identify the “why” as well as the “what” behind consumer product purchases.

Recently, in 2016, Nielsen was number 1 among 50 Market Research firms in the United States, ranked by the American Marketing Association (“The AMA Gold Report”). During the same period, the total revenues were $6.3 billion with a net income of $502 million. For this numbers, contributed the two main reporting segments: what consumers watch and what consumers buy.

The firm´s buy segment (53% of the total revenues) provides measurement and analytics for sales, market share and consumer goods, being leader in retail measurement services

These services not only helps to understand firms´ current performance, but also provides advanced analytical capabilities and solutions to improve future performance to their clients. It is the segment where is studied the key trends and marketplace dynamics that are influencing businesses to make smarter and quicker business decisions in the future.

Nielsen´s watch segment (47% of the total revenues) provides measurement and analytics for content, advertising and activity for television, digital, social and audio, where content is consumed every day. The company provides effective metrics that help optimize and validate the overall spending by maximizing the value of the client´s content and advertisement campaigns.

Looking out to Portugal, Nielsen has been present since 1967 and counts with about 120 collaborators nowadays. The revenues of the country follow the Europe´s trend, being the buy segment the focus of the operations. On the other hand, in America, is the watch segment that has a huge impact on sales.

Being a specific sector, it is crucial to understand deeper how the company actually works, by having an overview about the whole cycle since the information arrival until the delivery of databases to the clients. With this, we have the different departments briefly described and not only allow us the opportunity to perceive the impacts that the outsourcing contract had in specific operations but also, to link them with the department of each interviewee and their conclusions.

Regarding the Retail Measurement Services (RMS), the company´s core business, the data (sales, prices, promotion activities) arrives in two ways: First, from the retailers themselves that send to Nielsen electronically with all type of stores (except the traditional ones). Secondly, the firm does his own data collection near the traditional stores where the department responsible is the data acquisition (DA).

After this, there is an information processing department that receives the information from these two sources called information validation (IV). With all the data validated, the same needed to be coded by the reference data (RD), based on photos and products´ descriptions provided by retailers, in order to enter in the company´s database in an aggregate form and readable for the different clients.

To ensure a higher efficiency in the data processing, quality controls are done by the information validation (IV) department in prices or sales volume, to detect some errors regarding abnormal values that may need to be rechecked directly with the retailers or with the field team. After these quality controls, the data is expanded, using specific expanding factors from statistic according with each store weight in the sample and produced by the StatOps department to obtain the databases.

Finally, the data is computed into a final database. To allow clients to read the database, instructions are created in the beginning and updated over time to ensure the data fits the client´s needs and preferences. Each client´s preferences and market specificities are done by the client instructions department (CI). Nevertheless, after production, all the data is again validated in terms of quality by the validation team. With figure 1, we are able to better understand the process that was described with the different departments.

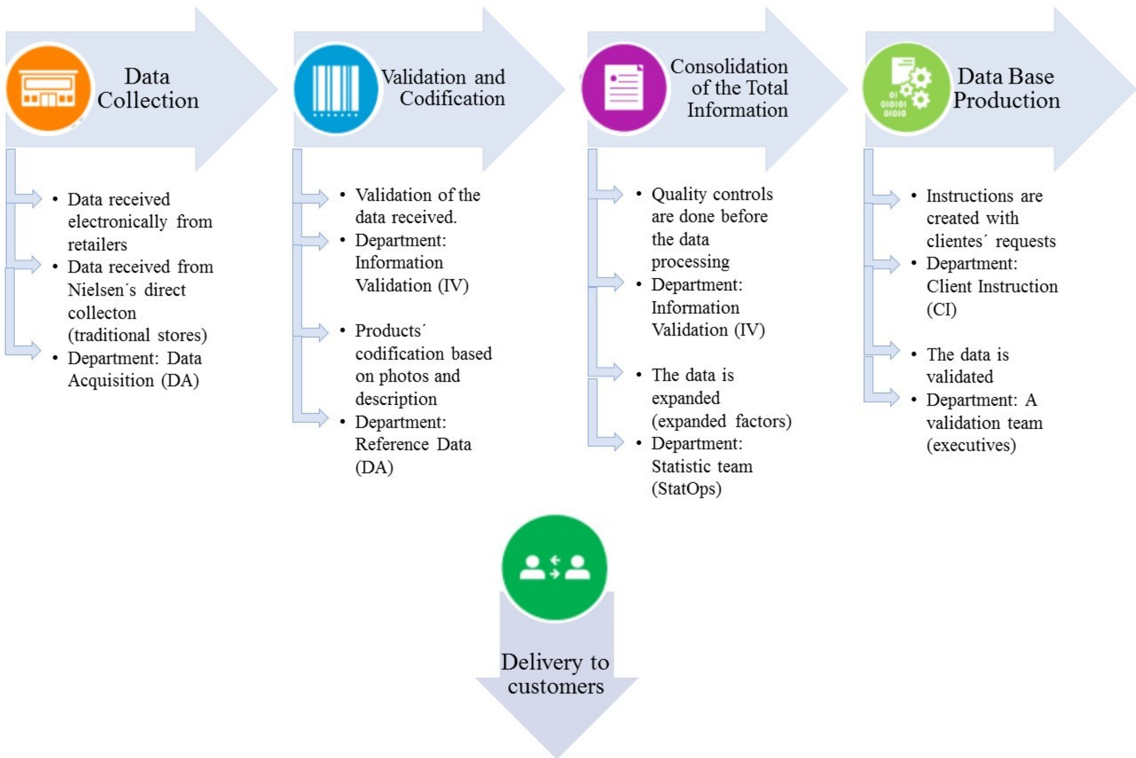


Figure 1 – Production process (Official data delivered from an interview)

4.3) Internationalization and outsourcing process

In order to provide the maximum information as possible needed to understand and optimize client´s performance across businesses and in different countries, through the nine decades of existence, the company had always the concern to build a global network to bring Nielsen closer to consumers, with the increasing number of offices around the world, crucial to achieve it. Nowadays, the company has operations in more than 100 countries.

From our interviews, we understood that the company moved in even more to an internationalization process 10 years ago, with the three main reasons that are contributing to reach this global level, some strategic acquisitions (Brandbank, Gracenote), through the Connected Partner Program and from the huge outsourcing contract with Tata Consultancy Services.

From strategic acquisitions, we would like to highlight two examples showing how Nielsen increase the quality of the data delivered and how the firm is entering in more widespread operating fields to better achieve an international level. Grocery retail is fully of new challenges, evolving technologies and expanding markets, so delivering a consistent and good quality brand message to the consumer depends on how the information about food and drinks are given. Brandbank, is part of what Nielsen offers, and it helps to deliver a comprehensive service to keep customers on top of their digital content with, for example, from essential product data and key photographs to create the product content that each client needs to sell online, to more complex services like planogram solutions to optimise the way that the client approach shelf planning. Secondly, Gracenote helps people connect to the music, TV shows, movies and sports they love across the world's most popular entertainment platforms and devices, from Apple to Amazon to Time Warner Cable and Tesla collecting advanced information to deliver to specialized customers.

In a complement way, Nielsen has an important program called Connected Partner Program. With these relationships, the firm believes that can turn managers´ decisions faster and smarter, making easier each client connects their network, discover new partners and use the most robust retail and shopper data in the world.

To give some examples, Nielsen studied that E-commerce is driving 90% of industry growth and the challenge for companies/managers is to understand if they are really positioned in the market to win. The partnership with Profitero allow a certain client to benchmark its digital shelf performance against any competitor, across any retailer site, or mobile app, in real-time so that in a more quickly and precisely manner, identify which areas to strengthen to win more sales.

Nielsen is going even more specialized to deliver the most reliable information as possible, the partnerships with HowGood and Food Maestro are examples that support this. The first company delivers the best source of information on the food that each one of us consumes every day, providing positive only sustainability ratings based on over 10 years of extensive research in conjunction with hundreds of industry experts, academics, scientists and farmers. Secondly, Food Maestro builds upon Nielsen product data to create a comprehensive database of food ingredients, helping consumers, healthcare providers, manufacturers and retailers to better understand exactly what is being consumed.

These examples show how Nielsen is developing its own international strategy, with strategic partners to improve the data delivered, helping companies and managers to understand what are consumers preferences and what is changing in the market place to minimize the resources waste when looking to improve performance inside businesses.

Now, more importantly to our research, we end this part with the huge international agreement that is influencing Nielsen´s way of operating, especially in Portugal. The contract is related with an outsourcing deal that Nielsen did since 2007, with Tata Consultancy Services (TCS) where the main objectives of this arrangement were *"(...) help us streamline and simplify our IT infrastructure and application platforms and operational practices across our businesses, support the development of integrated solutions and give us much greater flexibility to respond quickly to changes in the marketplace."* (Habib, executive vice president in charge of Nielsen Global Business Services) (Overby, 2007).

More precisely, in terms of operations, with this announcement, TCS started to help Nielsen integrate and centralize multiple systems, technologies and processes globally and assumed responsibility for certain finance and human resource business processes. The quicker and simpler advantages from this agreement were clear for some players in this field outside Nielsen: *"This deal moves a lot of that analytic function to India via TCS and should drive the capabilities up (throw more people at the same problem for the same cost) or drive costs down (the traditional offshore value proposition)."* (Dean Davison, vice president of research for NeoIT) (Overby, 2007).

4.4) Result of the internationalization and outsourcing process

All the strategic acquisitions and partnerships made Nielsen achieve higher levels in performance, becoming not only one of the world's most innovative companies in 2017 by Forbes but also, one of the world leaders regarding the market research sector. The key issue on the internationalization process is concerning the decision of decentralization of some operations to India, through the international outsourcing contract.

India's economy is one of the fastest growing in the world, with an increase of foreign business investment and Indian companies venturing overseas. However, there are many key cultural challenges that can create conflict, as well as huge direct and indirect costs to the organisation that companies weren´t able to anticipate.

In our case, we don't have information regarding the total impacts in terms of Nielsen´s performance numbers, the saving costs or even if the productivity increases in certain countries or not. We are just focusing on the relationships that Portugal is having with India and how it is influencing the company´s way of operating in the overall process of databases production. After all the data collected, it was clear the negative impacts that result from the contract since 2007.

It is essential to understand that, as already mentioned before, Nielsen in Portugal works directly with the different retailers (Pingo Doce, Continente, Jumbo, MiniPreço…), receiving data from all food and drinks available in the different markets, with about 200 products being new in a daily basis that need to be inserted in Nielsen´s databases. Problems started to emerge in this first step of coding new products in the reference data department, with even more impacts in the production process, being described in more detail in the Findings part.

Without a proper understanding, intercultural differences between team members based in India and Portugal (or even in other parts of the world) can lead to numerous areas of difficulty, frustration and reduced productivity, as we will able to see in the next chapter.

5) Findings

In this section we will focus specifically on the internal impacts that arise from the management decision of the offshore outsourcing to India. In each section, we will explain what were the new challenges and consequences of the new relationships, explaining the influence in several important departments in Portugal, going through the overall production process of the databases.

5.1) Worldwide products´ definitions

Even before entering in the production process of each database, one of the biggest obstacles started on the transmission of the worldwide definitions that Nielsen has to build the databases. These definitions divide products into several and very strict categories, can be seen as the Nielsen´s raw material in the sense that is the base of all the operations. It is from them that the company operates and deals with the complex client's requests, allowing to have a global consensus between countries and deal with clients in a worldwide language.

Problems in understanding these complex definitions, affect Nielsen in two different ways: directly in the operating part, meaning that directly influences the coding operations when receiving the new products from the retailers that enter in firm´s databases, done by the reference data department; and also when dealing with the complex client´s requests, meaning that Nielsen keeps its own standards and identity in what they are defining in one category, having the client no power to decide in what product category wants his product in the database. Each client is strict by the company´s rules, that's why the international definitions are so important, to keep a worldwide common sense among different firms and their products. With this explanation, it is understandable the huge importance of having these definitions well defined among employees.

The transmission of this important know-how was not done in the right way. There are dozens of products´ categories, with difficult and meticulous specificities and with new products arriving in a daily basis, makes coding a very complex and rigorous process. If we think about India, we can understand that the products availability, as long as the people´s habits and culture in this country, leads to different consumption patterns. The offer is not the same, there are hundreds or even thousands of products that Indians are not familiarized with and there are some types that simply doesn´t exist there, others that the brand doesn´t operate in India when comparing with Portugal. With most of the coding process done by photos given directly by the retailers, it is clear the difficulties that the offshoring part had to accomplish this activity in the right way, they simply didn´t know the products. So, barriers were clear when passing the information regarding the important international definitions of the different products´ categories. We now have quotations to directly understand these same issues done by Catarina Borda D´Água and Luís Pereira, respectively:

"What I can say now is that one of the greatest challenges is precisely to "instill" in these teams the "sensitivity" to have the right knowledge about the worldwide definitions, and it´s necessary to overcome this to have fewer mistakes and greater speed and effectiveness".

"At the beginning, there is no doubt the language barrier and the transfer of knowledge, as well as the Indian mentality were the main obstacles that we found when transmitting the products´ categories".

5.2) Loosing know-how and expertise in Portugal

One of the negative aspects when transmitting the know-how to India that was progressive through time, was the loss of the local know-how in some specific departments or processes such as instructions, input validation or the final data production (junction of the all process phases and databases production). This fact as highlighted by Luís Pereira, working in the Reference Data Enablement Team, responsible for monitoring the countries that are transiting from the old coding platforms, to the new global codification platform (OGRDS):

"it was clear the loss of the local knowledge because people started to leave the company because of some operations/works being replaced to offshore facilities".

With this we mean that, since 2007, when transmitting the know-how of some processes that moved to offshore, the Portuguese workers started to lose the capabilities and skills to do these same processes. At the moment, in Lisbon, the company do not have any back up department nor the amount of people with the necessary knowledge that could overcome some problems that might emerge on those processes mentioned before like failures on coding products or on the final production of databases. From our interview with Catarina Borda D´água, manager in the Coding team in the Global Business services Operations:

"Workers are becoming just more specialized in their own work, and even more in just validating and monitoring the work done by the outsourcing company".

Alongside with this, we can link the loss of expertise among the employees, from our interview with Luís Pereira:

"People now are just knowledgeable of the area where they are working, losing the E2E knowledge of the production process".

Both these issues lead to a waste of resources and time when trying to fix these problems that came from incompatibilities between offshore and Portuguese knowledge.

Consequently, another problem that arise from the lack of expertise and loosing important know-how when some departments were transferred completely to offshore, is the increase dependency from third parties outside Nielsen. Without any proper back-up of offshore operations, there is a dependency from an outside organization, which could damage Nielsen operationality, as the company no longer control directly the outsider performance or even, if the other firm will follow the terms of the agreement. To end, from our interview with Catarina Borda D´água:

"Another problem from the agreement - which is now trying to be solved globally - is that, in the case where the routines/processes were completely "transited", this knowledge is no longer within Nielsen, implying a potential relation of dependency that is not "healthy"."

5.3) More quality controls, longer delivery time

Along the production process of each database, several quality controls are done to evaluate and monitor the information between departments. After the outsourcing agreement, several processes in some offshore departments started to have problems because of the lack of advanced knowledge from Indians about the different processes. Difficulties to recognize Portuguese products, how to correctly fill all the codification categories in the Nielsen´s system, and how to do instructions to build a database with the clients´ requests are the major source of issues.

As already mentioned, some of the Portuguese workers started to be specialized just in controlling what the offshore teams do. More quality controls started do be done in processes that, before the international contract, did not have these costly quality points in the value chain. As Luís Pereira mentioned:

> *"The delay in delivery time is due to having to perform double / triple checks in operations that Indian employees simply don´t have the right knowledge and, therefore, we need to monitor their work. Also, when they have a problem in some process, they wait for feedback from us to solve it and send back the data to be analysed for our employees".*

The Indians employees are very task oriented, fulfilling just what the upper hierarchical people told to do. When problems arise, they are not proactive in solving for themselves the barriers that they might have, the information is sent back to the departments in Lisbon to solve all the issues.

With more quality controls through the value chain among several departments, lead to a longer production process, with more time being spending in monitoring the information. Consequently, with more evidenced in the first couple years, lead to a longer delivery time of the data bases for different clients that receive them in a weekly or monthly basis depending on specific preferences.

5.4) Lower quality in the products delivered

We will end this analysis with the overall result of the process and the main negative conclusion after understanding the impact of all the individual problems presented in each previous section.

At the end of the value chain, after the production of the databases, it was clear the difficulties of Indian employees and the influence that the lack of knowledge had in the overall quality of the databases delivered to clients. Luís Pereira´s answer is clear when asked about the main negative outcomes from the outsourcing agreement:

> *"At the beginning there is no doubt that there was a loss in the quality of the final product, as well as an extension of the deadlines for delivering databases to customers".*

This decrease on the overall quality of Nielsen´s products could impact the company´s performance worldwide. Being leader in the market research sector, the standards in what is delivered to clients should be high and with the best quality possible. Here, we analysed the impacts that the contract had in Portugal, but many clients are from the global company, having databases in different countries and we should be reminded that the agreement with the Indian firm was not just with Portugal. The quality in what each company delivers will impact the brand awareness among customers and their preferences when choosing the right product.

However, we should also emphasize that from our interviews, throughout the time, with higher levels of expertise from Indian workers because of the know-how transmission and with better relationships between both countries, these problems have been minimized in nowadays. Different solutions were adopted to solve the different issues that we presented, ending this part with two quotes from Jaime Cruz, a recent retirement from Nielsen and Catarina Borda D´Água, respectively, to prove what we are saying and solutions that were adopted:

“After the transfer of knowledge and complete compliance by TATA of the KPIs (Key Performance Indicators) defined by Nielsen, these same problems were minimized”.

“Documents were created where there are all the records about the standard operative procedures (in a step-by-step way) that allow not only to retain knowledge but also, to increase uniformity in the processes globally and establish quality and control standards”.

6) Discussion

After all the sub sections presented before with all the negative impacts on Nielsen´s operations, we are able to do a link between our findings and the literature review. Indeed, our findings went according with previous literature regarding the complex and difficult option to outsource services.

When outsourcing, predict how the offshore part will perform is almost impossible, uncertainty is eminent when doing these arrangements and loss of management control (that lead to longer delivery times), difficulties on transmitting know how (present when passing the worldwide product´s definitions), increasing on unexpected costs and becoming too dependent on third parties are just some issues that managers must be aware, and we can observe directly on our case study.

In fact, several processes suffered from the inexperience of Indian employees, either because the lack of deep knowledge, or just because the huge differences in the consumption patterns and the availability of products, or simply due to the habits that are inherent on the way they work. In every cause, the outcome was difficulties in the relationships with more impacts in the first couple years of the contract, harming Nielsen´s operations throw the value chain.

Doing businesses in India brings some specificities that companies must be aware. One of the main challenges when working with co-workers in India is that they don´t show any initiative, they will only do what they were instructed to do, if anything comes up out of the normal process inside the company, they won´t try to solve it and prefer to wait for more instructions from the people in charge. Alongside with this, firms must have in mind that Indian businesses are often very hierarchically structured. In negotiations, decisions are generally made from the highest levels with workers just following orders.

In the end, our findings that we presented are according with the literature review in the first section. With organisations outsourcing larger and more complex processes, can generate new risks that managers might not expecting, and performance management has become increasingly challenging. In our case study, the negative impacts on outsourcing professional services were clear, and therefore, the importance of evaluating future strategic alliances is recommended, in order to minimize possible future failures in some departments or processes.

7) Conclusion

The main objective of our research question was to evaluate the impacts of an international outsourcing agreement in the different company´s operations/departments along the value chain when producing a database in the market research sector.

To reach our findings, a qualitative method was used with the help of a case study where we presented some specificities about the firm analysed. Specifically, we described in more detail the production process to better understand how this company works and operate, to be easier to perceive and evaluate in more detail our findings.

Together with our case study, four interviews were done with strategic workers from the company that gave us a deeper analysis about the negative impacts in different departments and along the production process. With years of experience, they were able to see all the changes in the firm´s operationality before and after the outsourcing agreement, in 2007, with Tata Consultancy Services.

Our findings started by the difficult task of transmitting the worldwide product´s categories where each complex definition must be clear, not only when coding each product to enter in Nielsen´s databases, but also to build the databases with the right instructions depending on the clients´ requests. The different consumption patterns in India, their own culture leading to different needs, with the number and type of products available being different, turned this transmission of know-how a real problem with negative impacts specially in the reference data department, mainly in the first couple of years.

The second main finding was regarding the loss of know-how about the processes that were outsourced and the lack of expertise from the Portuguese workers. First, with some processes being outsourced, there was no back-up department to ensure the solutions of some failures or problems that might emerge. The processes simply moved from India and with several employees leaving the company, workers in Portugal started to lose the capabilities and skills to continue with the know-how of these same processes. Second, some people became specialized in just monitoring and checking what the offshore part was doing, losing the end-to-end knowledge of the production process, decreasing their own expertise about the overall process.

The third finding was directly linked with the number of quality controls that the company increase to check the offshore work. Before the agreement, along the production process, several quality controls were done to monitor all the information that was processed in each database to avoid any mistake and deliver the best product as possible to each client. With the outsourcing contract, Indians were not familiarly with how the company operates, difficulties were eminent in understanding the products´ categories or doing tasks like instructions or input validation, so it was necessary to create more checking points to control their work. With this increase in quality controls, lead to a major negative finding, which was a longer delivery time of the databases. The production process started to be longer during the adaptation of both countries working together and that had an impact when delivering the final product.

The last finding was the overall negative consequence of all previous findings. The inexperience and lack of expertise were evident among Indian employees, mainly in the first couple of years of the contract. Dealing with a completely new reality was not easy, different cultures, different working habits, with huge differences in what firms exist in each country and competing, the products available being different, were key points to negative influence Nielsen´s way of operating. With this, the quality of the databases delivered decreased and by being market leader in Portugal, the expectations of each client were high and product quality is on the basis of consumers preferences when choosing the right product.

The main intention for a managerial perspective was to prepare managers to be aware of unexpected consequences and costs that, when doing strategic alliances, could harm some processes or departments inside a certain company. In order for firm to survive in long term and to be competitive with worldwide competitors, an international strategy must be on the top priorities to achieve a level of a multinational organization. So, strategic alliances are a reliable option to be part of an international strategy, where outsourcing appears as a method to help to achieve this strategy. Therefore, choosing the right partner is not an easy task, managers cannot predict how the third part will perform and how would impact the firm´s performance and processes. In our case, will help to have a deeper perspective, not about the overall performance of the organization, but how an outsourcing agreement of professional services could damage inside departments through a value chain of a company in the market research sector.

In terms of limitations of our study, we should emphasize the fact that our research cannot be generalised to every firm that would opt for outsourcing services, or even generalize to every firm in the market research sector. Our findings are not explaining every example that we could find in any outsourcing arrangement, is a meticulous analysis from our case study from one company only. The findings from our research, could be or not be identical when comparing with similar organizations.

Lastly, our analysis and findings were based on an outsourcing agreement where we were able to see the impacts on the company´s operationality, through a relationship between two completely different countries. By different we mean not only the culture that leads to different habits, consumption patterns and distinctive ways in working mentalities but also, the influence of being from a different continent or even from being an emerging country know from cheaper labour, could explain deeply our findings. Future research can have a deeper understanding in what was the real reasoning behind our findings, comparing with another company with an outsourcing contract with a closer country, either from the same continent or where the culture might be similar to both countries concerning the market research sector.

8) Bibliography

Amaral, J., Billington, C. A., & Tsay, A. A. (2004). Outsourcing production without losing control. *SUPPLY CHAIN MANAGEMENT REVIEW, V. 8, NO. 8 (NOV./DEC. 2004), P. 44-52: ILL*, *8*(8). Retrieved from https://trid.trb.org/view.aspx?id=749045

Aron, R., & Singh, J. V. (2005). Getting offshoring right. *Harvard Business Review*, *83*(12), 135–43.

Bardhan, A., & Kroll, C. A. (2003). The new wave of outsourcing. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=985741

Barkema, H. G., & Vermeulen, F. (1998). International expansion through start-up or acquisition: A learning perspective. *Academy of Management Journal*, *41*(1), 7–26.

Barthelemy, J. (2001). The hidden costs of IT outsourcing. *MIT Sloan Management Review*, *42*(3), 60.

Beckman, C. M., Haunschild, P. R., & Phillips, D. J. (2004). Friends or strangers? Firm-specific uncertainty, market uncertainty, and network partner selection. *Organization Science*, *15*(3), 259–275.

Bettis, R. A., Bradley, S. P., & Hamel, G. (1992). Outsourcing and industrial decline. *The Executive*, *6*(1), 7–22.

Buckley, P. J., & Lessard, D. R. (2005). Regaining the edge for international business research. *Journal of International Business Studies*, *36*(6), 595–599.

Cheng, J. L. (2007). Critical issues in international management research: an agenda for future advancement. *European Journal of International Management*, *1*(1–2), 23–38.

Clark, K. B., & Fujimoto, T. (1991). *Product development performance: Strategy, organization, and management in the world auto industry*. Harvard Business Press.

Dibbern, J., Winkler, J., & Heinzl, A. (2008). Explaining variations in client extra costs between software projects offshored to India. *MIS Quarterly*, *32*(2), 333–366.

Dodgson, M. (1993). *Technological collaboration in industry: strategy, policy, and internationalization in innovation*. Routledge.

Doig, S. J., Ritter, R. C., Speckhals, K., & Woolson, D. (2001). Has outsourcing gone too far? *The McKinsey Quarterly*, 25–25.

Dossani, R., & Kenney, M. (2003). " Lift and shift": Moving the back office to India. *Information Technologies & International Development*, *1*(2), pp–21.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

Ethiraj, S. K., Kale, P., Krishnan, M. S., & Singh, J. V. (2005). Where do capabilities come from and how do they matter? A study in the software services industry. *Strategic Management Journal*, *26*(1), 25–45.

Garner, C. A. (2004). Offshoring in the service sector: Economic impact and policy issues. *Economic Review-Federal Reserve Bank of Kansas City*, *89*(3), 5.

Ghosh, B., & Scott, J. E. (2005). Comparing knowledge management in health-care and technical support organizations. *IEEE Transactions on Information Technology in Biomedicine*, *9*(2), 162–168.

Ghoshal, S. (1987). Global strategy: An organizing framework. *Strategic Management Journal*, *8*(5), 425–440.

Goerzen, A., & Beamish, P. W. (2003). Geographic scope and multinational enterprise performance. *Strategic Management Journal*, *24*(13), 1289–1306.

Golden, B. R. (1992). The past is the past—or is it? The use of retrospective accounts as indicators of past strategy. *Academy of Management Journal*, *35*(4), 848–860.

Grant, R. M. (2016). *Contemporary Strategy Analysis Text Only*. John Wiley & Sons. Retrieved from https://www.google.com/books?hl=pt-PT&lr=&id=6C_vCQAAQBAJ&oi=fnd&pg=PP15&dq=Grant+RM.+2005.+Contemporary+Strategy+Analysis.&ots=2FptjJ8JNc&sig=xLR5lgOuiYu6w4_npnz5d7d4kgo

Grant, R. M., & Baden-Fuller, C. (2004). A knowledge accessing theory of strategic alliances. *Journal of Management Studies*, *41*(1), 61–84.

Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, *19*(4), 293–317.

Gulati, R., Lawrence, P. R., & Puranam, P. (2005). Adaptation in vertical relationships: Beyond incentive conflict. *Strategic Management Journal*, *26*(5), 415–440.

Harmon, E. P., Hensel, S. C., & Lukes, T. E. (2006). Measuring performance in services. *McKinsey Quarterly*, *1*, 30.

Hart, O. (1995). *Firms, contracts, and financial structure*. Clarendon Press. Retrieved from https://www.google.com/books?hl=pt-PT&lr=&id=t417I3nRmuMC&oi=fnd&pg=PA1&dq=Hart+O.+1995.+Firms,+Contracts,+and+Financial+Structure.+&ots=66VauIsIme&sig=b2PGufLQ0WfTu59_zMW1iYiVrCw

Hart, O., & Moore, J. (2005). On the design of hierarchies: coordination versus specialization. *Journal of Political Economy*, *113*(4), 675–702.

Helfat, C. E., & Campo-Rembado, M. A. (2016). Integrative capabilities, vertical integration, and innovation over successive technology lifecycles. *Organization Science*, *27*(2), 249–264.

Helfat, C. E., & Raubitschek, R. S. (2000). Product sequencing: co-evolution of knowledge, capabilities and products. *Strategic Management Journal*, 961–979.

Hendry, J. (1995). Culture, community and networks: the hidden cost of outsourcing. *European Management Journal*, *13*(2), 193–200.

Hitt, M. A., Hoskisson, R. E., & Kim, H. (1997). International diversification: Effects on innovation and firm performance in product-diversified firms. *Academy of Management Journal*, *40*(4), 767–798.

Hummels, D. (1999). Have international transportation costs declined? *University of Chicago*. Retrieved from http://www.aerohabitat.eu/uploads/media/11-01-2006_-_D_Hummels__Transportation_cost_declines.pdf

Hutzschenreuter, T., Pedersen, T., & Volberda, H. W. (2007). The role of path dependency and managerial intentionality: A perspective on international business research. *Journal of International Business Studies*, *38*(7), 1055–1068.

Insinga, R. C., & Werle, M. J. (2000). Linking outsourcing to business strategy. *The Academy of Management Executive*, *14*(4), 58–70.

Jensen, P. D. Ø. (2009). A learning perspective on the offshoring of advanced services. *Journal of International Management*, *15*(2), 181–193.

Khanna, T., & Palepu, K. (2000). Is Group Affiliation Profitable in Emerging Markets? An Analysis of Diversified Indian Business Groups. *The Journal of Finance*, *55*(2), 867–891. https://doi.org/10.1111/0022-1082.00229

Kumar, K., Van Fenema, P. C., & Von Glinow, M. A. (2009). Offshoring and the global distribution of work: Implications for task interdependence theory and practice. *Journal of International Business Studies*, *40*(4), 642–667.

Lambe, C. J., & Spekman, R. E. (1997). The bases of alliancederived sustainable advantage: relationship and resources. In *American Marketing Association Winter Conference Proceedings* (pp. 119–125).

Lawrence, P. R., & Lorsch, J. W. (1967). Differentiation and integration in complex organizations. *Administrative Science Quarterly*, 1–47.

Levy, D. L. (1995). International sourcing and supply chain stability. *Journal of International Business Studies*, *26*(2), 343–360.

Lewin, A. Y., & Couto, V. (2007). *Next generation offshoring: The globalization of innovation: 2006 Survey report*. Duke center for international business education and research (CIBER).

Lewin, A. Y., Massini, S., & Peeters, C. (2009). Why are companies offshoring innovation? The emerging global race for talent. *Journal of International Business Studies*, *40*(6), 901–925.

Lorenzen, M., & Mudambi, R. (2012). Clusters, connectivity and catch-up: Bollywood and Bangalore in the global economy. *Journal of Economic Geography*, *13*(3), 501–534.

March, J. G., & Simon, H. A. (1958). Organizations Wiley. *New York*, *262*.

Maskell, P., Pedersen, T., Petersen, B., & Dick-Nielsen, J. (2007). Learning paths to offshore outsourcing: from cost reduction to knowledge seeking. *Industry and Innovation*, *14*(3), 239–257.

McCarthy, I., & Anagnostou, A. (2004). The impact of outsourcing on the transaction costs and boundaries of manufacturing. *International Journal of Production Economics*, *88*(1), 61–71.

Milliken, F. J. (1987). Three types of perceived uncertainty about the environment: State, effect, and response uncertainty. *Academy of Management Review*, *12*(1), 133–143.

Nickerson, J. A., & Zenger, T. R. (2004). A knowledge-based theory of the firm—The problem-solving perspective. *Organization Science*, *15*(6), 617–632.

Novak, S., & Stern, S. (2009). Complementarity among vertical integration decisions: Evidence from automobile product development. *Management Science*, *55*(2), 311–332.

Overby, S. (2003). The hidden costs of offshore outsourcing. *CIO-FRAMINGHAM MA-*, *16*(22), 60–66.

Overby, S. (2007, October 22). As Outsourcing Megadeals Slow, Nielsen Makes $1.2 Billion Bet on Indian IT Services. Retrieved November 7, 2017, from https://www.cio.com/article/2437834/outsourcing/as-outsourcing-megadeals-slow--nielsen-makes--1-2-billion-bet-on-indian-it-services.html

Oxley, J. E. (1997). Appropriability hazards and governance in strategic alliances: A transaction cost approach. *The Journal of Law, Economics, and Organization*, *13*(2), 387–409.

Oxley, J. E., & Sampson, R. C. (2004). The scope and governance of international R&D alliances. *Strategic Management Journal*, *25*(8–9), 723–749.

Quinn, J. B. (1999). Strategic outsourcing: leveraging knowledge capabilities. *Sloan Management Review*, *40*(4), 9.

Reitzig, M., & Wagner, S. (2010). The hidden costs of outsourcing: Evidence from patent data. *Strategic Management Journal*, *31*(11), 1183–1201.

Rothaermel, F. T., Hitt, M. A., & Jobe, L. A. (2006). Balancing vertical integration and strategic outsourcing: effects on product portfolio, product success, and firm performance. *Strategic Management Journal*, *27*(11), 1033–1056.

Rust, V., Portnoi, L., & Bagley, S. (2010). *Higher Education, Policy, and the Global Competition Phenomenon*. Springer.

Sachs, J. D., Warner, A., \AAslund, A., & Fischer, S. (1995). Economic reform and the process of global integration. *Brookings Papers on Economic Activity*, *1995*(1), 1–118.

Shi, Y. (2007). Today9s Solution and Tomorrow9s Problem: The Business Process Outsourcing Risk Management Puzzle. *California Management Review*, *49*(3), 27–44.

Srikanth, K., & Puranam, P. (2011). Integrating distributed work: comparing task design, communication, and tacit coordination mechanisms. *Strategic Management Journal*, *32*(8), 849–875.

Stephan, M., Silvia, M., & others. (2008). A dynamic perspective on next-generation offshoring: The global sourcing of science and engineering talent. *The Academy of Management Perspectives*, *22*(3), 35–54.

Stringfellow, A., Teagarden, M. B., & Nie, W. (2008). Invisible costs in offshoring services work. *Journal of Operations Management*, *26*(2), 164–179.

Takeishi, A. (2001). Bridging inter-and intra-firm boundaries: management of supplier involvement in automobile product development. *Strategic Management Journal*, *22*(5), 403–433.

Teece, D. J. (1992). Competition, cooperation, and innovation: Organizational arrangements for regimes of rapid technological progress. *Journal of Economic Behavior & Organization*, *18*(1), 1–25.

The AMA Gold Report: 2016 Top 25 Global Market Research Firms. (n.d.). Retrieved December 16, 2017, from https://www.ama.org/publications/MarketingNews/Pages/2016-top-25-marketing-research-firms.aspx

Ulrich, K. T., & Ellison, D. J. (2005). Beyond Make-Buy: Internalization and Integration of Design and Production. *Production and Operations Management*, *14*(3), 315–330.

Vlaar, P. W., van Fenema, P. C., & Tiwari, V. (2008). Cocreating understanding and value in distributed work: How members of onsite and offshore vendor teams give, make, demand, and break sense. *MIS Quarterly*, *32*(2), 227–255.

Weick, K. E. (1989). Theory construction as disciplined imagination. *Academy of Management Review*, *14*(4), 516–531.

Weick, K. E. (2007). The generative properties of richness. *The Academy of Management Journal*, *50*(1), 14–19.

Weigelt, C., & Sarkar, M. B. (2012). Performance implications of outsourcing for technological innovations: managing the efficiency and adaptability trade-off. *Strategic Management Journal*, *33*(2), 189–216.

Wiersema, M. F., & Bowen, H. P. (2008). Corporate Diversification: The Impact of Foreign Competition, Industry Globalization, and Product Diversification. *Strategic Management Journal*, *29*(2), 115–132.

Williamson, O. E. (1975). Markets and hierarchies: analysis and antitrust implications: a study in the economics of internal organization. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1496220

Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 269–296.

Williamson, O. E. (1996). The limits of firms: incentive and bureaucratic features. *The Economic Nature of the Firm: A Reader*, 146.

Wu*, F., Li, H. Z., Chu, L. K., & Sculli, D. (2005). An outsourcing decision model for sustaining long-term performance. *International Journal of Production Research*, *43*(12), 2513–2535.

Yin, R. (1994). *Case study research: Design and methods . Beverly Hills*. CA: Sage publishing.

Yin, R. K. (1989). Case study research: Design and methods, revised edition. *Applied Social Research Methods Series*, *5*.

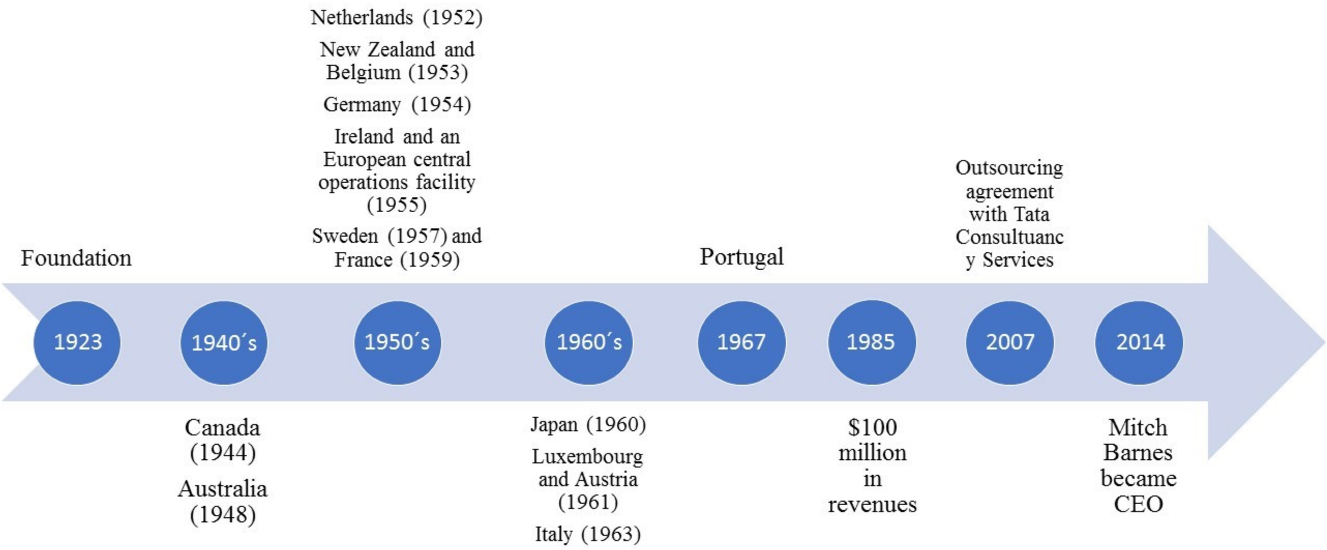
Youngdahl, W., Ramaswamy, K., & Verma, R. (2008). *Exploring new research frontiers in offshoring knowledge and service processes*. Elsevier.

Zahra, S. A., Ireland, R. D., & Hitt, M. A. (2000). International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal*, *43*(5), 925–950.

Zhou, Y. M., & Wan, X. (2017). Product variety and vertical integration. *Strategic Management Journal*, *38*(5), 1134–1150.

9) Appendix

9.1) Timeline



9.2) Official contract document

The Nielsen Company
770 Broadway
New York, NY 10003-9595
www.nielsen.com

News Release

CONTACTS
For Nielsen:
Kathie Miller: +1 904 910 6916
Kathleen.Miller@Nielsen.com

For Tata Consultancy Services:
Pradipta Bagchi: +9122 6778 9231
Pradipta.bagchi@tcs.com

Nielsen and Tata Consultancy Services Reach Agreement in Principle For IT & Operations Support Services Worldwide

October 18, 2007 – New York and Mumbai, India – The Nielsen Company, the world's leading provider of consumer and media information services, and Tata Consultancy Services (TCS), a leading IT services, business solutions and outsourcing organization, announced today they have reached an agreement in principle for outsourcing a portion of Nielsen's Information Technology (IT) and Operations functions worldwide. Nielsen and TCS are in negotiations on a definitive agreement which they expect to execute in the near future.

Under the proposed ten-year agreement, valued at approximately $US1.2 billion, TCS will assume responsibility for important IT and Operational processes and help Nielsen integrate and centralize multiple systems, technologies and processes on a global scale. TCS also will assume responsibility for certain Finance and Human Resource business processes, which will be executed on new BPO platforms built by TCS.

The Nielsen Company provides a wide range of global services, including television and Internet audience measurement, insight and analysis of consumer behavior for the packaged goods and retail industries, services to clients in print, online and mobile media services, entertainment, books, video and the music industries, and is a major provider of business publications and trade shows.

"Nielsen is moving quickly to transform an outstanding group of operating businesses into an integrated, market-focused organization that delivers high-value information services to our clients," said Mitchell Habib, executive vice president in charge of Nielsen Global Business Services. "This arrangement with TCS will help us streamline and simplify our IT infrastructure and application platforms and operational practices across our businesses, support the development of integrated solutions and give us much greater flexibility to respond quickly to changes in the marketplace," added Habib. "We are delighted to be working with the TCS team and look forward to a long and productive relationship."

TCS' Full Service Capabilities

TCS said it will provide this service to Nielsen through its full-service model, leveraging consulting, IT, infrastructure and Business Processing Outsourcing (BPO) services delivered through its Network Delivery Model (GNDM™). The global model will help Nielsen align complex global IT and operational processes, deliver high quality services to its clients and create cost efficiencies.

"The Nielsen engagement showcases our domain knowledge and our ability to manage and execute complex transformation engagements across the globe. It highlights the level of strategic engagement that TCS enjoys with global customers like The Nielsen Company," said S. Ramadorai, Chief Executive Officer and MD, Tata Consultancy Services.

N. Chandrasekaran, Chief Operating Officer and Executive Director, TCS said: "This landmark agreement with Nielsen combines our traditional strength in IT services with our growing prowess in areas like infrastructure and enterprise transformation, consulting, and platform-based BPO. The engagement underlines not only our ability to efficiently run the business but also help transform it. We continue to deliver sustained business value to our customers and help them experience certainty."

The implementation of next generation technology platforms and processes will enable faster and enriched information service delivery for Nielsen. TCS will also set up an Innovation Lab with Nielsen to help the customer conceptualize the next generation of business solutions for its end-clients globally.

The BPO platforms will help Nielsen consolidate and transform its processes and systems into a single platform, thereby providing real-time access to organization performance and reporting. The BPO services cover end-to-end financial services in such processes as accounts receivable and payable, billing, credit & collections and general accounting, and HR processes, including workforce administration, global reporting and payroll services.

As part of the agreement, TCS said it will take direct responsibility for a Nielsen team based in Baroda, Gujarat, that has developed significant expertise in key information-management processes for Nielsen's Retail Measurement Services, one of Nielsen's core products for packaged goods manufacturers and retailers. The addition of this team will complement TCS' established Knowledge Process Outsourcing (KPO) team and help to accelerate development of TCS' KPO service delivery platform. This development will enhance TCS' domain expertise and make it one of the largest KPO providers in India, working in such areas as analytics and reporting and reference data management.

About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions and recognized brands in marketing information (ACNielsen), media information (Nielsen Media Research), business publications (Billboard, The Hollywood Reporter, Adweek), trade shows and the newspaper sector (Scarborough Research). The privately held company is active in more than 100 countries, with headquarters in Haarlem, the Netherlands, and New York, USA. For more information: www.nielsen.com.

About Tata Consultancy Services

Tata Consultancy Services is an IT services, business solutions and outsourcing organization that delivers real results to global businesses, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has over 100,000 of the world's best trained IT consultants in 47 countries. The Company generated consolidated revenues of US $4.3 billion for fiscal year ended 31 March, 2007 and is listed on the National Stock Exchange and Bombay Stock Exchange in India. For more information: www.tcs.com.

9.3) Coding Table

Products´ Categories	*"What I can say now is that one of the greatest challenges is precisely to "instill" in these teams the "sensitivity" to have the right knowledge about the worldwide definitions, and it´s necessary to overcome this to have fewer mistakes and greater speed and effectiveness".* *"At the beginning, there is no doubt the language barrier and the transfer of knowledge, as well as the Indian mentality were the main obstacles that we found when transmitting the products´ categories".*
Know-how and expertise decreasing	*"it was clear the loss of the local knowledge because people started to leave the company because of some operations/works being replaced to offshore facilities".* *"Workers are becoming just more specialized in their own work, and even more in just validating and monitoring the work done by the outsourcing company".* *"People now are just knowledgeable of the area where they are working, losing the E2E knowledge of the production process".*
Be dependent of a third part	*"Another problem from the agreement - which is now trying to be solved globally - is that, in the case where the routines/processes were completely "transited", this knowledge is no longer within Nielsen, implying a potential relation of dependency that is not "healthy"."*
Increase on quality controls	*"The delay in delivery time is due to having to perform double / triple checks in operations that Indian employees simply don´t have the right knowledge and, therefore, we need to monitor their work. Also, when they have a problem in some process, they wait for feedback from us to solve it and send back the data to be analysed for our employees".*

Overall quality of databases	*"At the beginning there is no doubt that there was a loss in the quality of the final product, as well as an extension of the deadlines for delivering databases to customers".*
Minimizing problems	*"After the transfer of knowledge and complete compliance by TATA of the KPIs (Key Performance Indicators) defined by Nielsen, these same problems were minimized".* *"Documents were created where there are all the records about the standard operative procedures (in a step-by-step way) that allow not only to retain knowledge but also, to increase uniformity in the processes globally and establish quality and control standards".*